



ANNUAL REVIEW 1987

More To Do

building on firm foundations



CENTRE FOR POLICY STUDIES



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This brief account of the Centre's recent activities, and indication of the tasks which we will undertake during the coming months, is published for private circulation among the Directors, Donors and Associates of the Centre, on the occasion of the annual meeting held at the Institution of Civil Engineers on Thursday 9 April 1987.

Foreword

Mrs Margaret Thatcher's administration has been one of the great reforming Governments comparable, in our Party, to those of Sir Robert Peel and William Pitt. Mrs Thatcher *has* changed everything. The trade union leaders can no longer be compared to feudal barons, as the old expression was in the 1970s. Enterprises which were long ago nationalised have been turned successfully over to private business. Capitalism is no longer a discredited word. Vast state agglomerations, such as the health and education services, have at least begun to question past complacency. The 'party' really is 'over', so far as the wasteful expenditure of money by local governments is concerned. The size of the Civil Service has been cut. The enterprise of individuals is no longer discouraged by excessive taxation.

The measures constitute at once a real reduction in the power of the State, and a spur to the State's efficiency. More choice and more liberty in a frame of greater order and legality is the theme of these policies. It is not exactly a 'roll back' of the State's frontiers upon which we have embarked, it is more an elaborate exercise in pruning: the pruning of an ancient oak, let us say, on which much dead wood was allowed to linger for years, hurting the live branches, damaging and defacing an ancestral tree.

Much more needs to be done. A peaceful counter-revolution carried through in an ancient democracy is a difficult enterprise. The pace has been slower than some would like. Long shadows are cast by the present rates of both crime and unemployment. Much would be sacrificed were there to be a halt in the journey now. But it would be disastrous were there an order to turn back.

Yet it may not be primarily for these reasons that the electorate must return Mrs Thatcher to power at the next election. The basis for their decision will surely be that the main opposition Party has committed itself to a series of actions which, although at first glance an affair of foreign policy, would risk in the long run not only the reforms above mentioned but the very survival of our country. The Labour Party have, first, undertaken to abandon the British nuclear deterrent as a part of our defences. Second, they

seem set to require the United States to abandon their bases in this country. These house missiles or bombers capable of carrying nuclear weapons and so take part in the West's coordinated defences.

It is the latter of these ideas which is the more damaging. Our alliance is largely made up, after all, of nations which do not possess a nuclear deterrent of their own. Some of them, for example, Canada, could certainly have made these weapons. But ever since the then Labour Government's decision of 1947 to manufacture atomic weapons, successive British governments have thought that we ought to have our own version of this bomb. The explanation has been consistent: that, in certain admittedly catastrophic circumstances, we might find ourselves without American support in face of a Russian attempt at conquest; that it is sensible to keep the Russians in some uncertainty as to where a nuclear response might come, should they be tempted to attack; that the nuclear weapon gives an added protection out of all proportion to its cost (10-15 per cent of the defence budget); and that we were a pioneer of this form of defence and so should not leave France alone in Europe as the only investor in it. Still, these are matters of calculation, not morality. It is our full membership of the alliance which is the decisive matter.

Since 1945, if not 1917, the Soviet Government has shown by its actions, and made clear in its leaders' declarations, that it wishes to destroy the West using all means short of outright war. To this end, it has built a vast conventional force, including an ocean-going fleet, on a larger scale than the NATO countries can assemble. It has sought and obtained, first, equality with the US in nuclear weapons, and then superiority. It has elaborate defences, including investment in strategic defence and large air raid shelters capable of protecting much of the *nomenklatura* in the event of war. It has used Communist Parties and fellow travellers in a hundred countries throughout the world as a basis for subversion. It has maintained the world's largest spy service. It invests in propaganda on a scale which Britain did not approach even in open war. In the late 1940s, the Soviet Union established puppet governments in half Europe and, in the 1970s, during the age of so-called *détente*, built up a network of dependent allies

(Cuba, Nicaragua, Ethiopia, The Yemen's People's Republic, Angola, Vietnam, North Korea), some of whose countrymen, notably Cubans, assist the Soviet Union both in conventional warfare and in the training of terrorists.

Recently the economic growth of this empire has been stunted, partly because of political mismanagement, over-centralisation and lack of motivation among the Russian people, partly because of excessive military spending. The new Secretary General of the Communist Party, Mr Mikhail Gorbachev has set about trying to remedy some of these shortcomings. There seems no reason, however, to question his own assertions that he remains a convinced Leninist; nor to suppose that he wishes to distance himself from his predecessors' global policies (these matters are discussed further at the end of this paper).

In order to face this formidable power, the West, during the past forty years, has built a stout alliance. Its early form was largely devised by a great Labour Foreign Secretary, Ernest Bevin. The association has been one of the most creative partnerships in history. Both the United States and Canada, on one hand, and Western Europe on the other, have benefited immensely from it. We have a real Atlantic community in being which goes far beyond the strategic common interest to include the economic and cultural dimensions. Our own country plays the part of a hinge between Europe and the Americas. Geographically, and since 1973 economically, a part of Western Europe as we are, our language, customs and laws make us a natural ally of the United States and Canada.

A quarrel with the United States and an insistence that she withdraw her bases and forces would thus constitute a diplomatic revolution of the first importance. It would reinforce both US isolationism and German neutralism, neither of which can be discounted. The Alliance as such would founder. With a cock-a-hoop Labour left wing in parliament the country would be very deeply divided. Psychological consequences throughout Europe would be extraordinary. The long term changes would be genuinely unforeseeable. They would certainly be bleak, possibly irreversible.

These predictions are not the idle fears of a latter-day Nostradamus: they would logically follow from a Labour victory in a British election with its present policy. Some will say that, as

in the past, the Civil Service would save the Labour Party from the worst consequences of its foolish views. It certainly is possible but it cannot be counted upon. The oak tree of the British State, which I mentioned earlier, might find itself covered with a blight of increasing subjection to dependence on a foreign power for the first time since the fall of the Roman Empire - and to a power whose knowledge of such fundamentals as law does not yet approach that obtained in the first century BC in Rome. We might have to say a long, an endless, farewell to civilization. For these reasons, as well as for the urgent domestic considerations it is surely essential that Mrs Thatcher is again returned to power.

I have traditionally used the preface to our annual report to convey my thanks to those who have helped the Centre with money, with ideas, with work. This year my thanks are more heartfelt than ever. The work we have done and are doing is growing both in authority and importance. In the fields of education, of privatisation and of wider ownership we continue to make especial progress which would not be possible without the firm support of our study groups and working parties under the chairmanships of Baroness Cox, Professor Alan Dashwood, Simon Webley and Lord Vinson. I hope that, in thanking them, I shall be understood also to thank all those who have given so unstintingly of their time in both discussion and research. I think particularly of Fred Naylor, our Senior Research Fellow in Education, and Keith Boyfield who has piloted so many of the studies undertaken by the Nationalised Industries Study Group. And, at the end of this review, I write of the fruitful discussions of our Soviet Relations Group - on the problems of Russia under its new leadership.

The number of our Associates steadily grows; and I trust that this is due not only to the inherent interest of our publications and the influence which they exert, but also in some measure to the other advantages that we can offer - I think particularly of the many conferences we now hold in which Associates are invited to participate. We value their support, and the contribution which they make to our work.

Finally, the small secretariat at Wilfred Street deserves my warmest commendation. For much of the past year we were enlivened and instructed by the refreshing intelligence and political acumen of Dr Jeremy Shearmur, now departed to the

George Mason University in Virginia. We are fortunate indeed in now having in his stead David Willetts, adventurous in spirit, incisive of mind, recruited from the Number 10 Policy Unit, as Director of Studies. We continue to benefit from the drive of our Director of Publications, Oliver Knox, who blends light-hearted sagacity with great industry (and is now one of our authors). No words of praise could be too high for the patient dedication and warm-hearted generosity of our Company Secretary, Nathalie Brooke. Sophia Akerman continues to earn the gratitude of all who enjoy our hospitality for the excellence and imagination of her cooking. I wish to thank both Virginia Utley and Jenny Nicolson for the charm and the vivacity which they bring (over and above their unflagging professionalism) to the execution of their duties. Lavinia Landels continues admirably to perform a wide variety of functions (including help with design of our publications).

Finally, I cannot close without mentioning the zeal of Sir Ronald Halstead, our Honorary Treasurer, most ably aided by the work of our Accountant, Douglas Moore. Indeed I really cannot imagine what we should do without the support of Sir Ronald; his blend of prudence, imagination and enterprise.

Thomas of Swynnerton

Education

Without an educated citizenry all the achievements of the present Government will be built upon sand. Much of the discussion on education today is centred on structures and financing. The Centre is instead focusing on the way in which subjects fundamental to our civilization are being, or should be, taught: the quality of education. The recent pamphlet by Alan Beattie of the LSE, 'History in Peril', attracted considerable notice and controversy. In the national dailies (particularly The Times, The Independent, the Daily Mail, the Guardian and the two Times Educational Supplements) it was referred to as 'a brilliant pamphlet', although also 'dismaying'. A fortnight ago a morning colloquium was held on these and issues arising from the pamphlet. A distinguished panel of six professors and teachers of history faced an - equally distinguished - audience which included representatives of the national and international press.

'History in Peril' is the first of an 'Education Quartet' planned to appear during this year. John Marenbon, of Trinity College, Cambridge is contributing a pamphlet on the sorry decline of the teaching of the English language, with particular reference to the neglect of English grammar - and the measures which must be taken to revive it. This will be followed by a paper on the state of the teaching of pure mathematics. Later in the year Dr Oliver Letwin is writing an essay on the nature of the school.

We are relating this activity to the question of a core curriculum; hoping to provide some counterbalance to advice which the Government will be receiving from the HMI. Kingsley Amis has already submitted for consideration 'Ten questions to be answered before establishing a core curriculum in English'. Finally Fred Naylor, Senior Research Fellow of the Centre, and leading light of the Education Study Group, is at work on an important paper which compares the standards achieved in comprehensive and selective schools, a paper which reveals a number of very suggestive differences between, for example, achievements gained by pupils in single-sex and mixed schools.

Health

Building on the reforms recommended by Sir Roy Griffiths to give the NHS more responsible management is essential. Hugh Elwell, in 'NHS: the road to recovery', argued that what is now needed is restructuring in order to provide better value for money, tighter accountability and improved care for patients. Increased spending is not the answer. Demand is infinite, resources finite. Hugh Elwell's proposals included more freedom for patients to choose and change GPs, and payment for visits; setting up by all NHS hospitals of associations of fund-raising friends, and charging of insurable 'hotel' costs; encouragement of private insurance schemes; and the appointment of a Secretary of State for Health Care, of Cabinet rank.

The pamphlet aroused considerable controversy and formed the subject of major articles in *The Times*, the *Daily Telegraph*, the *Guardian* and the *Financial Times*. T E Utley devoted his column in the *Daily Telegraph* to the 'brave though circumspect answer' to the problems of the service concluding 'even more important I think are his suggestions that hospital patients who can afford it, should be allowed to pay a modest sum, that GPs should also be allowed to charge such patients small sums for consultations and that tax encouragement should be given to private insurance arrangements'. Robin Pauley in the *Financial Times* gave a long account, paying particular attention to Hugh Elwell's proposal to 'raise private capital in order to build hospitals that [districts] could then administer, and join with private capital to finance expensive items of medical equipment'.

Several new initiatives on health are at present under way at the Centre. John Peet, a former specialist on health expenditure at the Treasury and now health correspondent on the *Economist*, is writing a pamphlet which will recommend the introduction of more enterprise into the NHS - identifying the scope for the private sector to help in the provision of many of its services. And Bob Bessell, who directed the Warwickshire Social Services and is concerned for the provision of sheltered accommodation, is studying for us the problems and opportunities of elderly people. A discussion paper will be prepared shortly to serve as basis for a conference. The burden for the Centre's proposals on health, as

in so many other fields, is to encourage more competition, more enterprise, more awareness of opportunity and more responsiveness to need; and thereby develop a more satisfactory service for the individual patient, anxious to be, so far as possible, master of his own fate.

Housing

A fateful mistake was made in 1915 when popular disturbance in Glasgow, prompted by rent increases, led a nervous Liberal Government hurriedly to impose rent controls. They have been with us, in varying forms, ever since - a sad monument to State intervention.

Martin Ricketts's pamphlet 'Lets into Leases' achieved the rare distinction of giving fresh insights into this perennial problem. He not only offered a clear and thoughtful analysis of the inequities of rent control, he also had the courage to suggest possible solutions. He recognised that in effect tenants in rented accommodation had been given a property right (and landlords deprived of one) by Act of Parliament. He proposed that this property right be both recognised and limited by converting it into a tradeable lease of say ten years' duration. His ideas were discussed with great attention at a subsequent seminar attended by the Minister for Housing.

Local government and the inner cities

Local government in parts of this country provides terrible evidence of the damage done by socialism in practice. It is both a warning of what a socialist government would do as well as a challenge to reform. Reform is all the more important because of the damage which councils can do through their rate demands, their housing policies, and their Luddite attitudes to economic development.

Paul Beresford, the formidably efficient Conservative leader of the formidably efficient Wandsworth council, has written for the Centre a 'Good Council Guide', published only yesterday. This gives practical guidance for Conservative councillors on how they can do what Wandsworth has done. If subscribers or supporters of the Centre fear that their own Conservative Council is not proving properly reformist and purposeful they are urged to circulate further copies of Paul Beresford's guide to their local councillors.

If Paul Beresford eschews theory, Professor Regan revels in it. We will shortly publish his paper investigating the extraordinary and bogus view of the Constitution which left wing councillors use to justify running their own economic or foreign policies.

The Centre also hopes to publish an investigation of the powers which local authorities exert through the planning system. Whilst it may be right for them to wish to preserve attractive features of the local environment it is not right to use such powers to direct the development of the local economy.

The actions of left wing local authorities have contributed to the collapse of the economies of our great cities. Liverpool is the classic example. Peter Stoney, who works for Patrick Minford at the Economics Department of Liverpool University will be tracing the economic decline of Merseyside and offering proposals for reversing the trend.

Privatisation

Some industries in the public sector are more ossified than others; and form the natural quarry of the Nationalised Industries' Study Group, under the Chairmanship of Simon Webley. This is one of the many fields where the Centre is busy building on success. The Policy Study on British coal - 'Put Pits into Profit' - inaugurated a debate which is still heard loud. Further work is being done and it must be hoped that development of Britain's vast coal resources will soon be opened up to the winds of genuine competition. It is clearly unsatisfactory to have, on the one hand, a continuing high level of direct and indirect State subsidies to the industry; and, on the other, the continuing high price of its product.

If the customer is to have a real choice, this State monopoly must be broken up as soon as possible. A pamphlet is due shortly.

Our oldest nationalised industry is the Post Office. Robert Albon, a visiting Fellow at the Department of Industrial Economics and Business Studies at the University of Birmingham, proposed in 'Privatise the Post' the immediate privatisation of the National Giro Bank, and the subsequent separation into private limited companies of the remaining divisions - counters, parcels and letters - over the next four or five years. We hope that this approach will find favour in all future demonopolisation. The paper, published immediately after Christmas, caused something of a furore, with at least one major article and leader in every national newspaper. Some of the headlines:-

'Post Office sale is urged in Tory report'
'Unfair to the Post Office'
'Nothing to fear in Post Office sell-off'
'Post chief criticises sell-off proposals'
'Postmen's shock from Tories'
'Privatise Post Office urge leading Tories'
'Unions blast plan for mail deregulation'
'After gasman Sid it's postman Pat' etc etc

A conference on the Post Office was held at St Stephen's Club in the middle of January, at which John Redwood, Sir Adam Ridley, Ian Senior, David Willetts and others answered questions from a large audience which included representatives from the Post Office, courier services and the media.

In recent days the Centre has published 'Privatise Power: restructuring the electricity supply industry' by Alex Henney. This study put forward proposals for breaking up the CEGB into about ten privately owned generating companies, geographically dispersed and holding mixed portfolios of coal, gas and oil-fired plants; setting up distribution companies regulated so as to have a clear interest as well as duty to serve the interests of the customer; establishing a transmission and control company to develop and maintain the National Grid and act as a common carrier; and creating an Electricity Council to promote competition, provide a framework for a forward market and rule on matters of public interest. Comment on the pamphlet is coming in as this Annual Review goes to press. Later this year we are planning a paper on the privatisation of water.

All the published work, and all the discussion of the Study Group over the past years has centred upon the necessity of introducing genuine competition in future acts of denationalisation. What hostages to fortune are otherwise given! Not only will the customers fail to receive all the benefits which they should have, but the industries themselves will become easy prey to any future administration which might wish to renationalise them. We cannot reiterate too emphatically our conviction that large State-owned monopolies *must* be broken up before their sale despite the understandable, all-too-human arguments of those who at present control them.

Welfare and benefits

Spending on welfare benefits totals about £45 bn - almost a third of the Government's budget. It merits close attention by the Centre. Three different approaches to the reform of this enormous programme have been considered by us over the past year.

Stephen Davies produced a thoughtful pamphlet, 'Beveridge Revisited: new foundations for tomorrow's welfare'. He argued for a social dividend scheme; but went on to call for a revival of private philanthropy which did so much for the poor of England in the nineteenth century. Just as we wrongly assume that there was no health care for the poor before the NHS so it is often assumed that there was no insurance against poverty before the introduction of Lloyd George's national insurance scheme offering 'nine pence for four pence'. Dr Davies argued forcefully that working men had got together in their own friendly societies for mutual insurance long before the encroachment of the State. He called for encouragement of such mutual help independently of the government.

It was a particular treat for all our friends and subscribers to read the brilliant *jeu d'esprit*, 'The Wealthy Wellfairs' written by our Director of Publications, Oliver Knox. This satirical tale drew together in one witty story the many ingenious ways by which the shrewd members of the middle classes manage to gain disproportionate benefit from most public expenditure programmes. Oliver Knox challenged us to save public money by directing it towards those who need it most and not to vote for ever higher State spending so as to help ourselves.

Thirdly, the Centre held a most successful conference with the New York-based Manhattan Institute for Policy Research in March of this year. Four leading American academics and commentators - Professor Richard Nathan, Professor Glenn Loury, Dr Charles Murray and Professor Lawrence Mead told an audience of fifty academics, politicians and policy advisers about the state of welfare debate in America. Opening the conference, David Willetts expounded the relevance of the American debate to current British social policy.

The main message was that negative income tax or tax credit scheme, with which the Americans had experimented, had clearly failed. The evidence was that work incentives did not improve life and that families were more likely to break up. American attention was shifting away from such technocratic ways of reforming the benefit system. Instead, commentators were worried about the intractability of the problem of their 'under-class' trapped in the ghettos. More and more, it was being suggested that the enormous growth in welfare payments over the past twenty years had created a dependency on State hand-outs which made escape from ghetto life even more difficult. Some speakers advocated work in return for benefits - workfare - as a way out of this problem.

Wider ownership

Underlying all the activities of the Centre's Wider Ownership Group, which has now been at work for five years under the Chairmanship of Lord Vinson, is the firm persuasion that the greatest possible diffusion of economic power and patronage is the prerequisite of a free society. Thus, the theme of wider ownership unites political vision with the natural self-interest of every citizen.

To many people, economic concepts such as monetarism are dull, difficult, abstruse. But, since personal security is the common ambition of us all, *ownership* is a word, an idea, to which all of us can easily respond. It should, then, be a central plank in the Conservative manifesto.

The virtual defeat of inflation has indeed been a major achievement of this Government but, again, too many people may still see this as an end in itself, and not recognise it to be a means - the key to the dissemination of real wealth. We are indeed fortunate in having the first Prime Minister since Disraeli who is seeking to put this idea into practice.

Three of the group's past recommendations to this end have been passed into statute in modified form.

- The Enterprise Allowance, which encourages people to become self-employed, and thus in effect legitimises their former dole-denied status as moonlighters.
- Personal and portable pensions, the introduction of which will encourage job mobility, and break the golden shackles of corporate employment (or, in many cases, under-employment). Legislation compelling disclosure by pension funds will give proper transparency to the rights of their members.
- Personal equity plans which are now giving to many thousands of people an opportunity to take up a direct and comprehensible stake in British companies.

The group continues, however, to concern itself with the insidious concentration of wealth in the hands of financial institutions and vast, impersonal conglomerates. Back in 1981 we warned that the Conservative Party was in danger of becoming too closely identified with big business and the aggrandisement

of power, which damaged the esteem in which it is held by the public at large. We repeat these warnings, and urge the strengthening of competition in every walk of life.

Despite the enormous increase in the number of individual shareholders - a tribute to this Government's policies - the proportion of the net financial wealth which they own still continues to decline.

The group has, therefore, put forward further measures to promote tax equality between institutional and private investments.

- Capital gains tax. Gross fund status for pensions remains the major fiscal privilege. It encourages 'portfolio churning'. Roll-over concessions for investments and unit trusts represents a further fiscal bias against personal, direct investment. Our failure to index pre-1982 capital gains exacerbates this. Capital gains tax in its present form remains the Tory wealth tax. New legislation has not simplified matters. Indeed it has complicated them, at considerable extra expense to the individual. We believe that long term gains should be free of gains tax, and the revenue replaced by a tax on *all* short term gains for *all* investors.
- Employment status. The labour market is changing before our eyes. Fewer and fewer people are employed from 'cradle to grave' (*sic*). There is more and more multiple and part-time employment. But the present tax system inhibits this natural progress and puts a brake on the proper working of the labour market. Individuals are at present artificially classified as being 'employed' or 'self-employed'. It should be no concern of the Revenue how people buy or sell their labour. The tax treatment should be neutral. Is a gardener who chooses to work for three people employed by the first one, part-time employed by all three or self-employed? It should not matter. We are pressing for tax reforms (that may have to await the introduction of computer-based personal assessment) which would loosen many of the rigidities of the labour market. In a society which believes in personal enterprise it is wrong, too, that the self-employed should be denied unemployment benefit.
- Pensions. Although much has been done to free them, the money in pension funds remains 'nobody's money'. We believe that it should become 'somebody's money'.

We, therefore, suggest that, by statute, all money now in pension funds should be pronounced to belong to their members. Henceforward, preferably on an annual basis (but at least on his retirement or change of job), an individual would be entitled to a unitised value of his proportion of the fund. More and more people would then understand what stake they have in the success of our country: they would see the magnitude of the capital assets being created on their behalf. No extra cost would be put upon industry by this simple move. At a stroke it would financially enfranchise, albeit through deferred capital appreciation, many millions of personal shareholders.

We have put forward other, similar, proposals: all with a view of encouraging direct, personal commitment at every level which would help to create a common sense of national purpose, a truly participatory society. Ownership is an essential and comprehensible Tory ideal, the antithesis of socialism. Much is being done, much still remains to be done in our third term of office.

Europe

How should Britain help to build the fabric of Europe - and in particular how should it face the task of the British Presidency of the European Community? That was the subject of a conference held in May last year at the Institution of Civil Engineers.

The opening address at this conference was delivered by Sir Geoffrey Howe QC MP, Secretary of State for Foreign & Commonwealth Affairs, and the distinguished panel of speakers included Michael Jopling MP, Minister of Agriculture, Fisheries & Foods; John Butcher MP, Parliamentary Under-Secretary at the Department of Trade & Industry, and Dr Philip von Bismarck MEP. Lord Soames summed up.

A paper by Simon May, which was accorded a main feature article by John Wilds in the Financial Times, urged the Government to:-

- Further the development of the internal market.
- Lighten the burden of regulations on business.
- Reform the Common Agricultural Policy.
- Develop a common European position for the autumn's international trade talks.

The paper was circulated in advance of the conference. The lively exchange of views covered the internal market, industrial policy, the CAP and external relations.

The conference agreed that the absolute priority for the British Presidency was to press ahead with the programme for the completion of the internal market by 1992. It was noted that the European Community had lost its appetite for an interventionist industrial policy and that present policy showed a welcome convergence with the ideas of the Government. On agriculture the reception given for the proposal of a set-aside scheme was cautious; but there was support for the separation of the social and environmental aspects of the CAP from that of food supply. The sense of the conference was that European political cooperation should be developed but that the Community should take action only when it was able to exert real influence.

More generally, some speakers commented that the tradition of Franco-German leadership of the Community was

weakening. This created an opportunity for Britain to play a decisive part in shaping the future of the Community.

A summary of the conclusions of the conference was circulated to members of the Government and to participants. The European Study Group returned to the topic of the British Presidency at a breakfast meeting with Mrs Lynda Chalker MP, Minister of State, Foreign & Commonwealth Office, held at the Centre in February this year. There was a lively and informative discussion on the reform of the Council's working practices and on the progress made – and difficulties encountered – in the liberalisation of the internal market. We hope to arrange a similar meeting later in 1987.

Soviet relations

The study group on Soviet relations has discussed the changes which seem to be promised by Mr Gorbachev at some length. Lord Thomas, Chairman of the group, writes:-

'The situation in Russia seems to be approximately this. Gorbachev at fifty-five is the leader of the Communist Party in a State still revolutionary in its rhetoric and externally ambitious, but bureaucratic and stuffy at home. Having been for many years concerned with agriculture he knows how inefficient this sector is in comparison with the 'same thing in the West'. He also knows that Russia has not in the last generation fulfilled Khrushchev's general ambition of overtaking the US in standards of living: it lags, obstinately, far behind.

The only side of Russia which *is* first rate is its military one. Having always outnumbered the West in conventional weapons, it has also enjoyed parity, at least in nuclear weapons, since about 1970. Russia has also devoted much attention both to relatively conventional defence (e.g. the ABM circle round Moscow, civil defence shelters) and to research into 'strategic defence'. In some respects, such as the potential military use of lasers, she may be ahead of the U.S.

Despite all the media attention we still know less about Gorbachev and his colleagues than we do about Roman senators of the second century BC: when he called for 'more light' did he know that he was quoting from Goethe not Lenin? Nevertheless, he appears, from his assiduous quotations from Lenin's works, to be an orthodox communist. His previous association with Suslov and Andropov suggests his conventionality, but he comes from a poor family in a region hard hit by the agrarian revolution of the 'thirties and occupied by Germans during the War. He must know from personal observation and anecdotes the high cost of past orthodoxies.

But as yet, Gorbachev's reforms have been limited. He has released a little less than a third of the Soviet

Union's known political prisoners (including some prominent ones). But he has evidently created a great appetite and enthusiasm for change towards a more 'open' society, though as, alas, is ever the case, the translation from Russian of terms like *glasnost* (which means 'publicity' rather than 'openness') leads to confused and subjective impressions in his favour corresponding to an appetite of the West which works on his behalf. Of course, there are very many aspects of life in Russia which Gorbachev has left untouched: e.g. reform of the KGB; use of psychiatric hospitals for opponents of the regime; concessions to nationalities; permission to own a printing press, which was once granted by Catherine the Great. In some respects, such as emigration of Jews, the system has been made even tougher.

In international affairs, Gorbachev has suggested that he might contemplate changes in Afghanistan; but these seem fudged and limited, and the Soviet Union presumably could never accept anything which looked like an admission of defeat. To judge from his rapidly changing proposals on arms controls, he does have ambitions in this field which would go further than the modest arrangements hitherto achieved. But it must be remembered that the Soviet nuclear programme does not account for more than fifteen per cent of their defence budget; so it is unlikely that any of these proposals, even if fully carried out, would have great impact on the economy. Further, the removal of all medium range missiles from Europe (to include 'European Russia' - as far as the Urals?) has disadvantages however popular the agreement might be: it would expose Western Europe to the Soviet conventional might which could *in extremis* be reinforced by the hundred SS20s in Asia far more easily and swiftly than the US could bring back the Pershings and Cruises.

Gorbachev's lively and strong personality may make him easier to deal with than his immediate predecessors or any likely successor. If sustained intelligence is necessary to stop the world from heading for disaster, this must be for the good. No doubt a genuinely more open Russia

would be in our interest since democratic societies are less easily persuaded to devote such large proportions of their budgets to arms. At the same time Gorbachev's strong personality and gift for public relations could make Russia even more powerful a competitor in the world. It is worth recalling that the two great Russian reformers of Tsarist days, Peter and Catherine, added vastly to Russian territory: and that the 'reformer' Khrushchev masterminded the beginning of the new Soviet attention to the 'Third World' (including the underpinning of Castro and the foundation of the infamous Patrice Lumumba University for training 'freedom fighters').

Nothing in Gorbachev's behaviour or statements have indicated a willingness to withdraw from what he has called the 'vigorous international activities of the CPSU and Soviet State', and what a recent volume of memoirs by an ex-communist, Ernst Fischer, described as the pursuit of 'the Russian world empire'. Many would agree with Vladimir Bukovsky that a real change cannot be said to have occurred until a congress of the Communist party revises Marx and Lenin; and becomes a country instead of a cause.

The questions at issue really are much the same as those presented in China: can economic vigour be created in a communist society while political inertia remains? Can any Soviet leader be willing to see the foundation of institutions and the establishment of laws which alone can underpin real liberty? How far can a nation remain obedient to a communist party if its leaders want prosperity and innovation? To such questions the Soviet Group of the Centre will continue to devote itself in the months ahead.'

A list of the year's publications

On business

'BUSINESS STILL BURDENED:
more regulations for the scrap heap' Teresa Gorman £3.90

On education

'HISTORY IN PERIL:
may parents preserve it' Alan Beattie £3.90

'HISTORY – AND GCSE HISTORY' Stewart Deuchar £2.20

On employment

'EMPLOYMENT EXAMINED:
the right approach to more jobs' Cyril Taylor £3.90

On environment

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Government and industry in the late 1980s'
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<i>On markets</i>		
'MORALITY AND MARKETS: gospel of an economist' Lord Harris of High Cross		£1.95
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'PRIVATISE THE POST: steps towards a competitive service' Robert Albon		£3.90
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'THE WEALTHY WELLFAIRS: how to care for the rich' Oliver Knox		£3.60
<i>On Soviet relations</i>		
'MR GORBACHEV'S OWN STAR WARS' Hugh Thomas		£1.50

A Diary of the year's conferences

DATE	THEME	CHAIRMAN	MEETING-PLACE
Jan '86	Employment examined	Lord Thomas	House of Lords
Feb '86	The New Capitalism	Lord Thomas	St Stephen's Club
May '86	The British Presidency of the EC	Lord Thomas	Institution of Civil Engineers
Sept '86	Church & Social Policy ¹		St George's House Windsor
Oct '86	Spur to industry	Lord Thomas	Bournemouth
Dec '86	Rent Deregulation	Cyril Taylor	Royal Institution of Chartered Surveyors
Jan '87	Privatise the Post	Lord Thomas	St Stephen's Club
Jan '87	Industrial policy	Lord Thomas	House of Lords
Mar '87	Social Policy ²	Professor Minogue	Institution of Civil Engineers
Mar '87	History in Peril	Lord Thomas	St James's Court Hotel

April '87	Good Council Guide	Lord Thomas	St Stephen's Club
May '87	Privatise Power	Simon Webley	Institution of Civil Engineers
1	In co-operation with St George's house, Windsor		
2	In co-operation with the Manhattan Institute		